



United States Department of Agriculture  
Risk Management Agency

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## Risk Management Agency Fact Sheet

# Loss Adjustment Procedures for Aflatoxin

Moisture stress, insect damage, and high-temperature stress are major determining factors in mold infestation and aflatoxin contamination in certain unharvested crops. Aflatoxin contamination can be harmful to humans and animals at certain levels. Accordingly, the Food and Drug Administration (FDA) has established action levels for aflatoxin present in food or feed. Post-harvest aflatoxin contamination can increase during storage and if crop drying is delayed. Insect or rodent infestations may also facilitate mold invasion of some stored commodities. The commodities with the highest risk of aflatoxin contamination are corn, peanuts, and cottonseed.

Producers should notify their approved insurance providers (AIPs) if they suspect aflatoxin damage. Aflatoxin contamination is a covered cause of loss for insured producers as long as representative samples of grain are taken before the grain is moved into commercial or onfarm storage. Crop insurance coverage ends at harvest, and since there is the possibility of post-harvest contamination, AIPs must obtain samples prior to storage.

The AIP-assigned loss adjuster will obtain a representative crop sample(s) and submit it to an approved testing facility. The loss adjuster may obtain the sample(s) from an unharvested field, from AIP-authorized representative strips left in an otherwise harvested field, or from the delivery point. For crop insurance purposes, only “approved testing facilities” may provide aflatoxin testing. To be an “approved testing facility” for crop insurance purposes, all of the following criteria must be met:

1. The facility must be able to perform quantitative tests on grain, itemizing results in parts per million (ppm) and parts per billion (ppb). Test kits used must be certified by the Grain Inspection, Packers and Stockyards

Administration (GIPSA).

2. The facility must be a recognized commercial, governmental, or university testing lab that uses industry-recognized sample sizes, equipment, and procedures for testing aflatoxin.
3. The facility must be a disinterested testing facility unless RMA issues a written authorization to waive this requirement.

The discovery of aflatoxin levels can result in producers experiencing no discounts, mild discounts, severe discounts, or a destruction order. The FDA has no published advisory levels or use restrictions for crops with 0 to 20 ppb of aflatoxin. Therefore, crop insurance policy provisions do not provide quality adjustments for levels below 21 ppb. The FDA requires destruction of crops with more than 300 ppb (500 ppb in Texas). Crop insurance policy provisions consider these crops zero value and, upon destruction, pay a full loss.

If the crop tests 21 ppb up to the State maximum, the crop qualifies for quality adjustment using the actual reduction in value (RIV). This works as follows. Assume 1,000 bushels of corn with 45 ppb aflatoxin, the local market discount (RIV) for 45 ppb is \$1.50 per bushel, and the local market (spot cash) price is \$1.80 per bushel.  $\$1.50 \text{ (RIV)} \div \$1.80 = 0.833$  which is the discount factor (DF). The quality adjustment factor (QAF) is  $1 - \text{the DF}$ , or 0.167. For quality adjustment, the production to count is calculated as follows:  $1,000 \text{ bushels} \times 0.167 \text{ QAF} = 167 \text{ bushels production to count}$ .

In some parts of the country, producers may experience claim settlement delays because buyers may neither buy the aflatoxin-infected crop nor supply a reasonable value for it. Producers may choose to take their crop to a different buying point. As an alternative, crop insurance procedures allow

AIPs to work with producers to establish reasonable bids for the infected crop so they may proceed with claim settlement. The AIP cannot calculate production to count without determining the RIV.

Producers concerned about placing aflatoxin-infected grain in storage or efforts to reduce the spread of aflatoxin within grain storage facilities should contact local agricultural experts. Insureds should contact their crop insurance agent or AIPs if they have questions about their crop insurance coverage or responsibilities.

For additional information, please contact the Risk Management Agency at:

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